

China Retail & E-commerce

Weekly Updates

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Retail in general

NBS: Total retail sales of consumer goods up by 8.0% yoy to 41 trillion yuan in 2019

According to the National Bureau of Statistics (NBS), total retail sales of consumer goods reached 41,165 billion yuan in 2019, up by 8.0% yoy (6.0% yoy in real terms). Of which, retail sales of companies above designated size were 14,801 billion yuan, up by 3.9% yoy. By type of consumption, in 2019, catering sales amounted to 4,672 billion yuan, increased by 9.4% yoy. Retail sales of commodities amounted to 36,493 billion yuan, up by 7.9% yoy. By retail format, in 2019, total retail sales of supermarkets, department stores, professional stores and specialty stores that were above designated size increased by 6.5%, 1.4%, 3.2% and 1.5% yoy respectively. In 2019, total online retail sales grew 16.5% yoy to 10,632 billion yuan; of which, online retail sales of physical goods grew 19.5% yoy to 8,524 billion yuan, accounting for 20.7% of total retail sales¹.

Businesses include “night-time canteens” drive services consumption up by 9.6% in Beijing

On 20 January, the Beijing Municipal Commerce Bureau released the consumption data for 2019. Total consumption expenditure reached 1,227 billion yuan, up 4.4% yoy. Online sales of wholesale and retail enterprises above designated size hit 336.6 billion yuan, up 23.6% yoy. Expenditure on services consumption per capita grew by 9.6% yoy, 3.5 ppts higher than that on commodities. Among which, spending on catering, cultural and entertainment services is on the rise. For instance, Beijing has been promoting “night-time canteens” and “holiday economies” to encourage people to dine out. Overall, it is foreseen that services

consumption will become more personalized and diversified².

Data Quest China: 986 retailers open first stores in Shanghai in 2019

According to domestic big data service platform Data Quest China, 986 of the new store openings (excluding pop-up stores) in Shanghai in 2019 were the first stores opened by retailers in China; of which, 78% were opened in shopping malls, 7% in department stores, and 15% were stand-alone stores. 333 of the “first stores” were opened in Huangpu District, Jing'an District and Pudong New Area. Nanjing West Road/ Jing'an Temple, Huaihai Middle Road, and Lujiazui remained the most popular commercial districts for retailers to open their first stores in China³.

E-commerce

JD.com introduces “household account” function for its platform

JD.com's has recently introduced a new “household account” function for its platform. By creating a household account and inviting their family members to join it, users can share their shopping lists, product information, payment methods and other benefits with the whole family. It is understood that Taobao launched the household account function earlier in 2018; by creating a household account, users and their family members can connect seamlessly with each other and enjoy convenient payment. Taobao's household account subscriptions have reportedly surged 42% qoq since late December 2019⁴.

China further identifies another 51 cities as pilot cities for CBEC retail goods imports

On 17 January, the Ministry of Commerce, the

General Administration of Customs and four other departments jointly announced the “Notice on Expanding the Pilot Cities for Cross-border E-commerce Retail Goods Imports”. Another batch of 51 cities including Shijiazhuang, Jinan, Beihai, Lhasa, Xining, Yinchuan, Urumqi and the whole Hainan Island were approved as pilot cities for cross-border e-commerce (CBEC) retail goods imports. CBEC business via bonded import model can be carried out in these approved cities and regions. Currently, pilot cities for CBEC retail goods imports in China have extended to the whole Hainan Island and covered 86 other cities and regions in 31 provinces, autonomous regions and municipalities⁵.

Pinduoduo launches live-streaming channel

On 19 January, Pinduoduo announced the official launch of its live-streaming channel. Pinduoduo introduced that the channel serves as a marketing tool for key influencers and merchants to boost user stickiness and sales conversion rate. Pinduoduo further explained that the channel is created upon the request from both the business and the consumer sides. It has no plan to spin off the channel as independent business⁶.

WeChat conducts internal tests for upcoming short-video feature

On 21 January, WeChat started to conduct internal tests for its upcoming new short-video feature. The new feature will enable corporate and individual users to publish video clips and photos to their followers via a feed. The video, going up to one minute in length, can carry a caption or link to an official account. Users can follow the video feeds they find interesting, give “likes”, leave a comment and interact with the account owners. They can also share the video on their moments and

WeChat groups, or send to their friends. Analysts pointed out that the short-form visual content of this new feature may help WeChat win back users from ByteDance’s Douyin and other offerings⁷.

Super Symmetry Technologies: Pinduoduo invests around 5 billion yuan in its “10 million-yuan subsidy program” in 4Q19

Super Symmetry Technologies, a Chinese third-party data research agency, has recently released a data report about Pinduoduo’s “10 million-yuan subsidy” strategic program. According to the report, in 4Q19, Pinduoduo invested around 5 billion yuan in its 10 million-yuan subsidy program, representing an average subsidy rate of 15% per item. General merchandise, small appliance, food, maternal and baby care products, and selective items are the top five categories receiving the highest amount of subsidies⁸.

Suning.com estimates net profit of over 10 million yuan in 2019

On 22 January, Suning.com announced its performance forecast for FY19. Net profit attributable to shareholders of listed companies would reach 11.0 billion yuan to 11.2 billion yuan, down 15.94% to 17.44% yoy. Suning Xiaodian recorded a loss as it is still in the stage of optimizing its business operations. Carrefour China, which was acquired by Suning.com in 2019, turned loss into profit in 4Q19 with its successful integration into Suning.com’s ecosystem⁹.

Retail logistics

Cainiao partners with Hangzhou Customs to leverage CBEC bonded import model to help overseas retailers sell to other countries via China

Recently, Cainiao and Hangzhou Customs have started helping overseas retailers to use China as an entrepot to sell and deliver products to other countries. Overseas retailers can send parcels to China via bonded imports model under cross-border e-commerce (CBEC), and re-export the goods to other countries with the integrated system of Cainiao and Hangzhou Customs in Hangzhou International Airport. It takes only two working days for the bonded imported goods to be re-exported and delivered to the destination. According to industry experts, this model is suitable for overseas retailers selling to Southeast Asia. Cainiao's global supply chain capabilities can help overseas retailers lower the costs and risks of renting or building warehouses in Southeast Asia; they can use China as the base for deliveries to Southeast Asian countries. This can greatly reduce warehousing and logistics costs¹⁰.

Department stores and shopping malls

Huawei and Wanda sign strategic cooperation agreement to promote commercial use of 5G technology

On 22 January, Huawei Technologies and Dalian Wanda Group inked a strategic cooperation agreement in Shenzhen to jointly explore commercial applications of 5G technology. It is understood that 5G mobile network supports high definition live-streaming broadcast, high-precision positioning and high-quality interactive entertainment experience. It facilitates data collection in commercial premises, enhancing commercial operators' data management capability and consumers' shopping experience. Huawei and Wanda aim to complete 5G network construction and achieve commercial use in at least five Wanda Plazas in China's tier-1 cities

this year and expand it in more than 400 Wanda Plazas across the country by 2022¹¹.

Nanjing Xinjiekou Department Store expects to record net profit of 1.94 billion yuan in 2019

Nanjing Xinjiekou Department Store Co., Ltd. has recently made an announcement regarding positive profit alert for its annual results of 2019. The company expects its net profit attributable to the shareholders of the company to range between 1.52 billion yuan and 1.94 billion yuan, representing an increase of 2.41 billion yuan to 2.84 billion yuan (after accounting restatement) from same period last year, or up between 269% and 317% yoy¹².

Supermarkets and hypermarkets

Chengdu Hongqi's net profit for 2019 reaches 532 million yuan, up 50% yoy

On 21 January, Chengdu Hongqi Chain Co., Ltd. announced its annual results for 2019. Net profit attributable to shareholders is estimated at 484 million yuan to 532 million yuan, up 50% to 65% yoy. In 2019, the company added 206 new stores, a noticeable increase compared to total new store opening in 2018. It currently manages over 3,000 stores across China. The profit increase is mainly due to the company's strong focus on its core business, use of big data analytics to drive innovation, store upgrade, optimization of product mix and strengthening of internal control management¹³.

Convenience stores

Lawson China launches the first energy-saving convenience store in Shanghai

Recently, Lawson China worked with Panasonic Appliances Cold Chain (Dalian) Co., Ltd. to open the first energy-saving convenience store in Shanghai. This is the first convenience store which adopts energy-saving measures and environmental protection solutions in China. The store is installed with air curtain cabinets, ice-cream freezers and display refrigerators with refrigerant CO₂, R290 and R449A to lower the costs of operation and save energy¹⁴.

Zhongbai Lawson raises tens of millions of yuan in Series-B funding round

Zhongbai Lawson, a convenience store brand jointly formed by China's retail conglomerate Zhongbai Holding Group and Japan's convenience store chain Lawson, has recently secured tens of millions of yuan in a Series-B funding round led by CEC Capital. By the end of 2019, Zhongbai Lawson operated 450 stores in China, with annual sales topping 1 billion yuan. The company plans to speed up its expansion in Central China, with a focus on Xiangyang, Jingzhou and other cities in the region, and to add 500 new stores, taking its total store count to 1,000¹⁵.

13 government departments including MOFCOM issued 18 policies to promote the development of convenience stores

Recently, the Ministry of Commerce (MOFCOM) and 12 other government departments jointly issued the "Guiding Opinions on Promoting the Development of Branded Chain Convenience Stores". The opinions proposed 18 measures in five areas: strengthening political guidance and planning;

streamlining administration, delegating more powers to lower-level governments and society, improving regulation and optimizing services; supporting the development of convenience store brands; facilitating innovation and intelligent operation; and enhancing overall standard of chain stores¹⁶.

Apparel

La Chapelle sees net loss to widen to 2.1 billion yuan in 2019; may implement delisting risk warning

On 21 January, Shanghai La Chapelle Fashion Co., Ltd. published an announcement estimating that the company will record a net loss attributable to equity owners at an amount between 1.6 billion yuan to 2.1 billion yuan for 2019. As La Chapelle already recorded a net loss of 160 million yuan in 2018, a "delisting risk warning" will be imposed on the A shares of the company subsequent to the announcement of the 2019 annual report. La Chapelle is the first apparel company that issues both A and H shares. It was listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange in 2014 and 2017 respectively. It made an operating revenue of 10.4 billion yuan in 2017, the highest among all listed companies that sell womenswear in China¹⁷.

Cosmetics

Shiseido opens "Beauty Innovation Hub" in Shanghai

Recently, Shiseido launched a "Beauty Innovation Hub" within WeWork's flagship co-working space on Weihai Road in Shanghai. Managed by Shiseido China's Business Innovation Team, the hub is a community

space where industry partners can connect and create truly consumer-centric beauty offerings in the areas of medical beauty, beauty tools, oral beauty, etc. The hub will collaborate with Chinese brands, start-ups, research scientists and key opinion leaders (KOLs) in the form of technology cooperation, business partnership, investments and acquisitions to spearhead Shiseido's global expansion and innovation¹⁸.

Luxury sector

LVMH-owned fashion brand KENZO launches on Tmall

On 17 January, LVMH-owned fashion brand KENZO announced its launch on Tmall, marking the first brand under LVMH's fashion and leather goods unit to go online on Tmall. The move also indicated that all five core business units of LVMH have already set up online storefronts on Tmall. According to Tmall's data, over 50 luxury brands launched their online flagship stores on Tmall in 2019, including Chanel, Gentle Monster, Christian Louboutin and Tom Ford¹⁹.

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